"How Can Small Businesses Best Address the Healthcare Needs of Their Employees?"

Hearing for the House Committee on Small Business, Subcommittee on Urban & Rural Entrepreneurship
Addressed to Congressman Shuler, Chairman & Congressman Davis

Presented by George M. Groome, President of Colton Groome & Company
Asheville, NC
2:00 P.M., Thursday, August 30, 2007 at the Asheville Area Chamber of Commerce Building

Good afternoon and thank you Congressman Shuler and Congressman Davis for your efforts on our behalf in Washington.

I am George Groome, President and CEO of Colton Groome & Company. Colton Groome is a 56 year old financial and benefit consulting company headquartered here in Asheville. I have been with the firm for 33 years.

In the benefits arena we work with approximately 120 businesses covering over 10,000 participants in some form of employer sponsored benefit programs.

An area of concentration for our business is employer sponsored medical insurance plans. As you can imagine in WNC, our main focus is small employer plans with 10 – 250 employees…the backbone of our economy. I believe this segment of our economy accounts for upwards of 93% of our businesses.

We do handle a few plans with over 1,000 employees as well.

The health insurance crisis in our country is eclipsed only by the current credit and mortgage dilemma and the Iraq War.

There are vast numbers of uninsured Americans and uninsured North Carolinians.

According to the Community Health Assessment of 2005, there are 40,000 residents in Buncombe County with NO health insurance.

Medical insurance is rapidly becoming unaffordable especially for small employers.

At Colton Groome & Company, as a typical example, we provide medical coverage for 13 employees. Five employees have elected some form of dependent coverage.

Together we spend approximately $85,000 annually. The cost to insured a typical family is $1,200 per month…an amount exceeding many families' housing costs.

As a 56 year old employee benefit firm brokering group medical insurance, our experience is that more folks are going uninsured because employers are canceling plans or the employees cannot afford the monthly premium.

Let us not fool ourselves, *"we"*

Let me stop & define *"we"*:

1. Government
2. Providers – Hospitals & Doctors
3. Employers
4. Full time insured employees

WE are paying for the uninsured to receive medical services.

WE are paying in one of the most inefficient ways possible – transfer payments & taxes.

We have one of the best and most sophisticated medical delivery systems in the world with the greatest providers. What is NOT broken is the delivery system but access and financing of the system.

The answer does not lie in national health care. It lies in a financing plan for insured quality services.

If you are hesitant to dismiss national health care, just look at what has happened in Great Britain. All citizens can receive care but look at the level of care and what has happened to those providing the care. Access in unacceptable, care is sub par and the providers have been relegated to underpaid, unmotivated human body mechanics.

Our economy is founded on the free enterprise system and continues to thrive because of this economic grounding. The health care system is not perfect at the insurance carrier level, the provider level or the legal level.

However, the free enterprise system, even with its flaws, with appropriate financing improvements and incentives holds incredible promise as an appropriate fix.

Before you dismiss this as a possibility consider the following:

If you believe insurance companies are part of the root cause with their reported high administrative and profit costs, think of how much higher and less efficient the system would be administered by the federal government.

If you think access to quality care is an issue today, look at the long waits and rationing of care in England as an example of how bad things will be with national health care.

Effective, efficient medical services and delivery systems are best designed and implemented regionally and more specifically in the communities where the services will be delivered.

Washington, DC cannot possibly figure out how to deliver the best medical services in the best way in Asheville, NC; Topeka Kansas and Duluth Minnesota in the customized way different communities need to structure services.

If you are skeptical about my premise of the federal government's inability to deliver services, just remember the lack of delivery with

hurricane Katrina, the crisis we face with Social Security, Medicare and Medicaid. Our health care is too critical and too personal to be managed through the bureaucratic lowest common denominator mentality.

So what is the answer? How can the free enterprise system manage this crisis? What are the incentives to which I refer?

My first main premise is we can insure more folks the quickest and with quality benefits through employers. With quality medical insurance which is affordable we in turn will provide access to quality health care.

We need to consider requiring employers to provide coverage for all employees of 20 hours a week after 30 days of employment. Currently most employers do not provide coverage until 30 hours a week, using part time status as an excuse not to cover a large portion of their work force.

Simple incentives (tax credits) can be designed to help make the employer whole. Remember we are already paying for this medical care through an inferior and inefficient system called no care, the emergency room, Medicaid and uncollectible accounts of our providers…in short uninsured transfer payments.

Where there is a deemed lack of competition in the medical insurance market (as in WNC), government can provided tax incentives to insurance carriers that are willing to participate and help drive down costs though covering a larger population and subsidizing rates…which remember *"we"* are already doing.

Where we have access issues, using primary care physicians as an example, the government can also provide incentives to increase participation and access in that sector of medical care. We must provide access to care. Qualified primary care physicians with appropriate incentives as an example, is a superior alternative to the emergency room and uninsured transfer payments "we" are already making.

In conclusion, it is my belief and from a 56 year perspective, we can retain the greatness of our medical delivery system while making sure access and payment for services are delivered through employer sponsored plans where the lives and needs of families are view and accessed daily up close and personal.

I believe Government can put the money to solve this crisis in the hands of the communities through incentives to employers, providers and insurance companies on a revenue neutral basis. Considering the alternatives, my hope is that this concept will gain traction.

Thank you for your interest to make sure all Americans have access to quality medical care.